

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

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Independent Auditors' Report

Board of Education
Unified School District No. 365, Garnett, Kansas

We have audited the summary statement of cash receipts, expenditures and unencumbered cash balances of Unified School District No. 365, Garnett, Kansas as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Unified School District No. 365, Garnett, Kansas's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States and the *Kansas Municipal Audit Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in the summary of significant accounting policies, the Unified School District No. 365, Garnett, Kansas has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 365, Garnett, Kansas as of June 30, 2012, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District No. 365, Garnett, Kansas as of June 30, 2012, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in the summary of significant accounting policies.

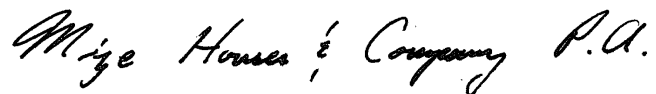
Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, schedule of cash receipts and expenditures-agency funds and the schedule of cash receipts and expenditures (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for analysis and are not a required part

of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement.

The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 23, 2012, on our consideration of Unified School District No. 365, Garnett, Kansas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the financial statements of Unified School District No. 365, Garnett, Kansas. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants

October 23, 2012
Topeka, Kansas

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Summary of Cash Receipts, Expenditures and Unencumbered Cash For the Year Ended June 30, 2012

	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General funds:						
General	\$ (585,968)	\$ 7,950,720	\$ 7,364,752	\$ -	\$ 162,995	\$ 162,995
Supplemental general	44,359	2,451,041	2,350,000	145,400	68,935	214,335
Special revenue funds:						
At risk (K-12)	34,050	828,198	828,423	33,825	65,292	99,117
Capital outlay	805,613	388,600	466,898	727,315	133,824	861,139
Driver training	51,407	14,244	34,810	30,841	409	31,250
Food service	159,325	538,780	554,016	144,089	35,177	179,266
Professional development	11,130	15,500	7,000	19,630		19,630
Parent education program	9,250		9,250			
Special education	413,925	1,567,222	1,553,520	427,627	858	428,485
Vocational education	14,378	375,194	333,620	55,952	23,877	79,829
KPERs special retirement contribution fund		654,183	654,183			
Other nonbudgeted funds:						
Contingency reserve	470,696			470,696		470,696
Community college	27,433	14,981	5,700	36,714		36,714
Reading Recovery	75,161	18,250	5,845	87,566		87,566
Textbook rental and student material revolving	56,066	94,942	36,301	114,707	23,554	138,261
Grant funds:						
Title I	34,244	249,014	283,258		2,551	2,551
Title II (Teacher Quality)	2,265	52,289	54,554			
Title IV (Drug Free)	1,195		1,195			
Character education		4,000	2,939	1,061		1,061
Safe and supportive schools		9,000	9,078	(78)		(78)
Other programs	98,338	8,026	8,291	98,073	1,575	99,648
District activity funds:						
Athletics	6,428	48,918	51,295	4,051		4,051
Other	3,604	2,517	3,117	3,004		3,004
Capital projects:						
Bond construction	13,522,649	7,634	10,940,806	2,589,477		2,589,477
Debt service:						
Bond and interest	<u>609,233</u>	<u>1,581,018</u>	<u>1,516,317</u>	<u>673,934</u>		<u>673,934</u>
Total reporting entity, excluding agency funds	<u>\$15,864,781</u>	<u>\$16,874,271</u>	<u>\$27,075,168</u>	<u>\$5,663,884</u>	<u>\$ 519,047</u>	<u>\$6,182,931</u>
Composition of cash:						
Checking accounts						\$1,717,223
Certificates of deposit						1,948,504
Money market fund						<u>2,589,477</u>
Total						6,255,204
Agency funds per Schedule 3						<u>(72,273)</u>
Total reporting entity, excluding agency funds						<u>\$6,182,931</u>

The accompanying summary of significant accounting policies and notes are an integral part of these statements

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Summary of Significant Accounting Policies

June 30, 2012

Reporting Entity

Unified School District No. 365 (the District) is a municipal corporation governed by an elected seven-member board.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity, since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units that are included in the District's reporting entity.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the fiscal year ended June 30, 2012:

Governmental Fund Types

General Fund – The general fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the general fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund – The capital projects fund is used to account for all resources for the acquisition of capital facilities by the District.

Fiduciary Fund Type

Agency Funds – Agency funds are used to account for assets held as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds include monies held at the schools for student activity organizations.

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Summary of Significant Accounting Policies June 30, 2012

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

The statutory basis of accounting results in a financial statement presentation that shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

The District has evaluated subsequent events through October 23, 2012, the date the financial statements were available to be issued.

Budgets

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless exempted by statute), and debt service funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of budget for the succeeding fiscal year on or before August 1st.
2. Publication of proposed budget and notice of public hearing in a local newspaper on or before August 5th of each year.
3. Public hearing on or before August 15th of each year, but at least 10 days after publication of notice of hearing.
4. Adoption of final budget on or before August 25th.

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Summary of Significant Accounting Policies June 30, 2012

Budgets (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the fiscal year ended June 30, 2012.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, and nonbudgeted special revenue funds.

Expenditures of funds not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and investment securities. Earnings from these investments are allocated to specific funds as designated by the Board of Education. These investments are stated at cost.

Ad Valorem Tax Revenue

The determination of assessed valuations and the collections of property taxes for all political subdivisions of the State of Kansas are the responsibility of the various counties. The County Appraiser's office annually determines assessed valuation, and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property November 1st of each year. One-half of the property taxes are due December 10th prior to the fiscal year for which they are budgeted, and the second half is due the following May 10th. This procedure eliminates the need to issue tax anticipation notes since funds will be on hand prior to the beginning of each fiscal year. The District Treasurer draws all available funds from the County Treasurer's Office in various designated intervals.

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Summary of Significant Accounting Policies

June 30, 2012

Compensated Absences

The District's policy is to recognize the costs of compensated absences when actually paid.

The District's policies regarding vacation and sick leave grant District employees leave in varying amounts. Full-time noncertified employees are awarded vacation days, depending upon years of service, and sick days at the rate of 10 days per year. Vacation days for full-time noncertified employees are generally not cumulative from year to year; however, sick leave may be accumulated up to a total of 120 days. Full-time employees subject to the negotiated agreement are awarded 10 leave days a year and may accumulate up to 120 days. Under the current negotiated agreement, teachers shall receive \$10 per day for accumulated leave in excess of 110 days. Upon retirement, teachers shall receive \$20 per day for accumulated leave to a maximum of 120 days. Normal retirement age should meet either KPERS or Social Security requirements, and the final average salary calculation will meet the rules and regulations of the Kansas Public Employees Retirement System.

Grant Program Involvement

In the normal course of operations, the District participates in various federal or state grant programs. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Notes to Financial Statements

June 30, 2012

1. Deposits and Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in Years)	<u>Rating</u>
		<u>Less than 1</u>	
Money market fund	<u>\$2,589,477</u>	<u>\$2,589,477</u>	N/A
	<u>\$2,589,477</u>	<u>\$2,589,477</u>	

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices. The rating of the District's investments is noted above.

Concentration of credit risk – State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The District's allocation of investments as of June 30, 2012 is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Money market funds	100%

Custodial credit risk - Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Notes to Financial Statements

June 30, 2012

1. Deposits and Investments (Continued)

At June 30, 2012, the District's carrying amount of deposits was \$3,665,727 and the bank balance was \$3,983,055. The bank balance was held by four banks, resulting in a concentration of credit risk. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$2,983,055 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial credit risk - Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

In-Substance Receipt in Transit – The District received \$648,631 subsequent to June 30, 2012 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2012.

2. Long-Term Debt

In July 2002, the District issued \$4,215,000 in General Obligation Refunding Bonds, Series 2002-A (2002 Bonds), with maturity dates of March 1, 2003 through September 1, 2011 for \$4,215,000, with interest rates from 3% to 4%. The 2002 Bonds were used to refund the General Obligation Refunding Bonds, Series 1993, maturing on or after March 1, 2003 that had interest rates ranging from 2.75% to 5.75% (1993 Bonds). Interest on the 2002 bonds is paid semi-annually on March 1 and September 1. A portion of the proceeds from the Series 2010B was placed in an escrow account that purchased U.S. Government Securities. The securities will be used to provide for debt service payments on the 2002 bonds maturing September 1, 2011 (\$45,000 in principal and \$900 in interest).

On December 22, 2010, the District issued \$14,485,000 in Series 2010A Qualified School Construction Bonds (QSCB), maturing September 1, 2029 at an interest rate of 6.214%. The purpose of the Series 2010A bonds is to construct a new elementary school and pay for various District improvements. Interest on the Series 2010A bonds is due semi-annually on March 1 and September 1. The American Recovery and Reinvestment Act of 2009 and the Hiring Incentives to Restore Employment Act of 2010 created the QSCB program to provide low cost borrowing to build and upgrade schools. The District will receive a federal subsidy from the U.S. Treasury as a reimbursement of interest costs.

Legal Debt Margin – The District is subject to the municipal finance laws of the State of Kansas which limits the net bonded debt (exclusive of revenue bonds and special assessment bonds) the District may have outstanding to 14% of the assessed value of all tangible taxable property within the District, as certified to the County Clerk on the preceding August 25. The District obtained permission from the Kansas State Board of Education to issue bonds in excess of its statutory limit.

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Notes to Financial Statements June 30, 2012

2. Long-Term Debt (Continued)

Changes in long-term debt for the District for the year ended June 30, 2012 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	End of Year	Balance Interest Paid
General obligation bonds:									
Series 2002A	Various	7/15/02	\$ 4,215,000	9/1/11	\$ 435,000	\$ -	\$ 435,000	\$ -	\$ 8,700
Qualified School Construction Bonds:									
Series 2010A	6.214%	12/22/10	14,485,000	9/1/29	<u>14,485,000</u>	<u> </u>	<u> </u>	<u>14,485,000</u>	<u>1,072,617</u>
Total long-term debt					<u>\$14,920,000</u>	<u>\$ -</u>	<u>\$ 435,000</u>	<u>\$14,485,000</u>	<u>\$ 1,081,317</u>

Current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018-2022</u>	<u>2023-2027</u>	<u>2028-2030</u>	<u>Total</u>
Principal:									
Qualified school construction bonds	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$14,485,000	\$14,485,000
Total principal	<u> </u> -	<u> </u> -	<u> </u> -	<u> </u> -	<u> </u> -	<u> </u> -	<u> </u> -	<u>14,485,000</u>	<u>14,485,000</u>
Interest:									
Qualified school construction bonds	900,098	900,098	900,098	900,098	900,098	4,500,490	4,500,490	2,250,244	15,751,714
Federal subsidy on qualified school construction bonds	<u>(777,844)</u>	<u>(777,844)</u>	<u>(777,844)</u>	<u>(777,844)</u>	<u>(777,844)</u>	<u>(3,889,223)</u>	<u>(3,889,223)</u>	<u>(1,944,613)</u>	<u>(13,612,279)</u>
Total interest	<u>122,254</u>	<u>122,254</u>	<u>122,254</u>	<u>122,254</u>	<u>122,254</u>	<u>611,267</u>	<u>611,267</u>	<u>305,631</u>	<u>2,139,435</u>
Total principal and interest	\$ <u>122,254</u>	\$ <u>122,254</u>	\$ <u>122,254</u>	\$ <u>122,254</u>	\$ <u>122,254</u>	\$ <u>611,267</u>	\$ <u>611,267</u>	\$ <u>14,790,631</u>	\$ <u>16,624,435</u>

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Notes to Financial Statements

June 30, 2012

3. Capital Projects

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable To Date</u>
Elementary building and District improvements	<u>\$14,485,000</u>	<u>\$11,909,989</u>

4. Defined Benefit Pension Plan

Plan Description – The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutory required employer's share.

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Notes to Financial Statements

June 30, 2012

5. Operating Transfers

The District made the following operating transfers during fiscal year 2012. The transfers were approved by the Board of Education.

<u>Fund</u>	<u>From</u>	<u>To</u>
General	\$2,401,965	\$ 9,250
Supplemental general	439,386	
Parent education program	9,250	
At risk (K-12)		828,198
Food service		5,431
Professional development		15,500
Special education		1,567,222
Vocational education		375,000
Textbook and student revolving		<u>50,000</u>
	<u>\$2,850,601</u>	<u>\$2,850,601</u>

6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Commercial insurance is maintained for significant losses. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

7. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Summary of Expenditures – Budget and Actual
For the Year Ended June 30, 2012

	Certified Budget	Adjustments to Comply with Legal Max	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Favorable (Unfavorable)
Budgeted funds:					
General fund:					
General	\$ 7,457,362	\$ (92,610)	\$ 7,364,752	\$ 7,364,752	\$ -
Supplemental general	2,350,000		2,350,000	2,350,000	
Special revenue funds:					
At risk (K-12)	877,338		877,338	828,423	48,915
Capital outlay	700,000		700,000	466,898	233,102
Driver training	38,000		38,000	34,810	3,190
Food service	570,000		570,000	554,016	15,984
Professional development	11,130		11,130	7,000	4,130
Parent education program	9,250		9,250	9,250	
Special education	1,631,300		1,631,300	1,553,520	77,780
Vocational education	340,000		340,000	333,620	6,380
KPERS special retirement contribution fund	705,210		705,210	654,183	51,027
Debt service fund:					
Bond and interest	<u>1,516,317</u>	<u> </u>	<u>1,516,317</u>	<u>1,516,317</u>	<u> </u>
Total budgeted funds	<u>\$16,205,907</u>	<u>\$ (92,610)</u>	<u>\$16,113,297</u>	<u>15,672,789</u>	<u>\$ 440,508</u>
Nonbudgeted funds:					
Grant funds				359,315	
Other nonbudgeted funds				47,846	
Capital projects funds				10,940,806	
District activity funds				<u>54,412</u>	
Total nonbudgeted funds				<u>11,402,379</u>	
Total expenditures				<u>\$27,075,168</u>	

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

GENERAL FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	Actual	Budget	Variance - Favorable (Unfavorable)
Cash receipts:			
Taxes:			
Ad valorem property tax	\$1,069,813	\$1,046,481	\$ 23,332
Delinquent tax	15,949	18,807	(2,858)
Mineral production tax	1,414		1,414
In lieu of taxes	705		705
Intergovernmental:			
Federal aid	3,464		3,464
State aid	5,811,358	5,277,741	533,617
Special education aid	1,038,767	1,105,083	(66,316)
Transfer from parent education fund	9,250	9,250	
Total cash receipts	<u>7,950,720</u>	<u>\$7,457,362</u>	<u>\$ 493,358</u>
Expenditures:			
Instruction:			
Salaries	1,233,881	\$1,256,000	\$ 22,119
Employee benefits	332,179	459,500	127,321
Purchased professional and technical services	53,803	47,000	(6,803)
Purchased property services		17,000	17,000
Other purchased services	24,008	5,000	(19,008)
Supplies	217,817	174,290	(43,527)
Property (equipment and furnishings)	22,883	10,000	(12,883)
Other		10,000	10,000
Student support services:			
Salaries	120,123	123,000	2,877
Employee benefits	37,674	43,600	5,926
Other purchased services	1,324	2,550	1,226
Supplies	2,203	2,500	297
Instructional support staff:			
Salaries	221,469	227,000	5,531
Employee benefits	47,362	55,100	7,738
Purchased professional and technical services	576	18,000	17,424
Other purchased services	56	300	244
Supplies	13,548	12,030	(1,518)
General administration:			
Salaries	144,910	148,881	3,971
Employee benefits	29,920	32,300	2,380
Purchased professional and technical services	18,117	18,500	383
Other purchased services	20,372	32,500	12,128
Supplies	8,755	9,000	245
Property (equipment and furnishings)	2,623	750	(1,873)

See independent auditor's report on the financial statements

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

GENERAL FUND (Continued)

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	Actual	Budget	Variance - Favorable (Unfavorable)
School administration:			
Salaries	\$ 486,075	\$ 467,500	\$ (18,575)
Employee benefits	109,367	122,400	13,033
Purchased professional and technical services	286		(286)
Other purchased services	77,106	92,000	14,894
Supplies	6,772	7,500	728
Property (equipment and furnishings)		1,500	1,500
Operations and maintenance:			
Salaries	329,224	388,500	59,276
Employee benefits	132,095	134,000	1,905
Purchased professional and technical services	2,265	2,000	(265)
Water and sewer	36,784	40,000	3,216
Repairs and maintenance	87,571	25,000	(62,571)
Repair of building	6,579	7,500	921
Other purchased property services	15,694	19,000	3,306
Other purchased services	57,390		(57,390)
Supplies	53,591	75,000	21,409
Heating and electricity	256,136	290,000	33,864
Motor fuel	8,052	20,000	11,948
Property (equipment and furnishings)	72,778	7,000	(65,778)
Vehicle operating service:			
Contracting of bus service	467,564	420,000	(47,564)
Motor fuel	124,831	112,000	(12,831)
Other supplemental services:			
Salaries	38,080	40,000	1,920
Employee benefits	8,718	10,240	1,522
Purchased professional and technical services	32,226	13,000	(19,226)
Purchased property services		53,000	53,000
Other purchased services		23,000	23,000
Operating transfers	2,401,965	2,382,421	(19,544)
Adjustment to comply with legal max		(92,610)	(92,610)
Total expenditures	<u>7,364,752</u>	<u>\$7,364,752</u>	<u>\$ -</u>
Receipts over (under) expenditures	585,968		
Unencumbered cash – Beginning	<u>(585,968)</u>		
Unencumbered cash – Ending	<u>\$ -</u>		

See independent auditor's report on the financial statements

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

SUPPLEMENTAL GENERAL FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	Actual	Budget	Variance - Favorable (Unfavorable)
Cash receipts:			
Taxes:			
Ad valorem property tax	\$1,287,557	\$1,334,631	\$ (47,074)
Delinquent tax	21,435	21,041	394
Motor vehicle tax	124,315	88,386	35,929
Recreational vehicle tax	2,460	1,522	938
Big truck tax	10,356		10,356
In lieu of taxes	766		766
Intergovernmental:			
State aid	<u>1,004,152</u>	<u>912,444</u>	<u>91,708</u>
Total cash receipts	<u>2,451,041</u>	<u>\$2,358,024</u>	<u>\$ 93,017</u>
Expenditures:			
Instruction:			
Salaries	1,544,891	\$1,600,000	\$ 55,109
Employee benefits	296,788	265,000	(31,788)
Supplies	19,848		(19,848)
Property (equipment and furnishings)	44,268		(44,268)
Operations and maintenance:			
Property (equipment and furnishings)	4,819		(4,819)
Operating transfers	<u>439,386</u>	<u>485,000</u>	<u>45,614</u>
Total expenditures	<u>2,350,000</u>	<u>\$2,350,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	101,041		
Unencumbered cash – Beginning	<u>44,359</u>		
Unencumbered cash – Ending	<u>\$ 145,400</u>		

See independent auditor's report on the financial statements

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

AT RISK (K-12) FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
Cash receipts:			
Transfers from general	\$ 828,198	\$ 877,338	\$ (49,140)
Total cash receipts	<u>828,198</u>	<u>\$ 877,338</u>	<u>\$ (49,140)</u>
Expenditures:			
Instruction:			
Salaries	507,711	\$ 590,000	\$ 82,289
Employee benefits	153,165	173,630	20,465
Purchased professional and technical services	10,683	5,000	(5,683)
Supplies	62,684	14,708	(48,156)
Property (equipment and furnishings)	<u>94,000</u>	<u>94,000</u>	
Total expenditures	<u>828,423</u>	<u>\$ 877,338</u>	<u>\$ 48,915</u>
Receipts over (under) expenditures	(225)		
Unencumbered cash – Beginning	<u>34,050</u>		
Unencumbered cash – Ending	<u>\$ 33,825</u>		

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

CAPITAL OUTLAY FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	Actual	Budget	Variance - Favorable (Unfavorable)
Cash receipts:			
Taxes:			
Ad valorem property tax	\$ 238,979	\$ 235,216	\$ 3,763
Delinquent tax	4,627	4,232	395
Motor vehicle tax	25,098	17,845	7,253
Recreational vehicle tax	496	307	189
Big truck tax	2,109		2,109
In lieu of taxes	142		142
Interest	11,971	30,000	(18,029)
Miscellaneous receipts	<u>105,178</u>	<u>90,000</u>	<u>15,178</u>
Total cash receipts	<u>388,600</u>	<u>\$ 377,600</u>	<u>\$ 11,000</u>
Expenditures:			
Instruction:			
Property (equipment and furnishings)	327,498	\$ 200,000	\$ (127,498)
Instructional support staff:			
Property (equipment and furnishings)		25,000	25,000
General administration:			
Property (equipment and furnishings)		15,000	15,000
School administration:			
Property (equipment and furnishings)		20,000	20,000
Operations and maintenance:			
Property (equipment and furnishings)	67,817	50,000	(17,817)
Transportation:			
Property (equipment and furnishings)	19,561	20,000	439
Facilities acquisition and construction services:			
Land acquisition	18,033	45,000	26,967
Land improvement	10,514	50,000	39,486
Architectural and engineering services		25,000	25,000
Site improvement		250,000	250,000
Building improvements	<u>23,475</u>	<u></u>	<u>(23,475)</u>
Total expenditures	<u>466,898</u>	<u>\$ 700,000</u>	<u>\$ 233,102</u>
Receipts over (under) expenditures	(78,298)		
Unencumbered cash – Beginning	<u>805,613</u>		
Unencumbered cash – Ending	<u>\$ 727,315</u>		

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

DRIVER TRAINING FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	Actual	Budget	Variance - Favorable (Unfavorable)
Cash receipts:			
Intergovernmental:			
State aid	\$ 5,358	\$ 4,810	\$ 548
Miscellaneous receipts	<u>8,886</u>	<u> </u>	<u>8,886</u>
Total cash receipts	<u>14,244</u>	<u>\$ 4,810</u>	<u>\$ 9,434</u>
Expenditures:			
Instruction:			
Salaries	12,731	\$ 10,000	\$ (2,731)
Employee benefits	995	1,015	20
Supplies	16	200	184
Property (equipment and furnishings)		200	200
Other		85	85
Vehicle operations and maintenance services:			
Motor fuel	1,751	1,500	(251)
Property (equipment and furnishings)	19,245	25,000	5,755
Other	<u>72</u>	<u> </u>	<u>(72)</u>
Total expenditures	<u>34,810</u>	<u>\$ 38,000</u>	<u>\$ 3,190</u>
Receipts over (under) expenditures	(20,566)		
Unencumbered cash – Beginning	<u>51,407</u>		
Unencumbered cash – Ending	<u>\$ 30,841</u>		

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

FOOD SERVICE FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	Actual	Budget	Variance - Favorable (Unfavorable)
Cash receipts:			
Intergovernmental:			
State aid	\$ 5,975	\$ 4,893	\$ 1,082
Federal aid	335,830	316,589	19,241
Charge for services:			
Student sales	180,752	180,990	(238)
Adult sales	9,944	14,112	(4,168)
Miscellaneous receipts	848		848
Transfers from supplemental general fund	<u>5,431</u>	<u>5,000</u>	<u>431</u>
Total cash receipts	<u>538,780</u>	<u>\$ 521,584</u>	<u>\$ 17,196</u>
Expenditures:			
Operations and maintenance:			
Purchased property services	1,920	\$ 5,000	\$ 3,080
Other purchased services	7,883	15,000	7,117
General supplies	7,666	10,000	2,334
Miscellaneous supplies	9,730	10,000	270
Property (equipment and furnishings)	5,652	25,000	19,348
Other	50		(50)
Food service operations:			
Salaries	195,055	192,000	(3,055)
Employee benefits	57,999	63,000	5,001
Food and milk	<u>268,061</u>	<u>250,000</u>	<u>(18,061)</u>
Total expenditures	<u>554,016</u>	<u>\$ 570,000</u>	<u>\$ 15,984</u>
Revenues over (under) expenditures	(15,236)		
Unencumbered cash – Beginning	<u>159,325</u>		
Unencumbered cash – Ending	<u>\$ 144,089</u>		

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

PROFESSIONAL DEVELOPMENT FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
Cash receipts:			
Transfers from general fund	\$ 10,000	\$ -	\$ 10,000
Transfers from supplemental general fund	<u>5,500</u>	<u> </u>	<u>5,500</u>
Total cash receipts	<u>15,500</u>	<u>\$ -</u>	<u>\$ 15,500</u>
Expenditures:			
Instructional support staff:			
Purchased professional and technical services	7,000	\$ 5,000	\$ (2,000)
Other purchased services	<u> </u>	<u>6,130</u>	<u>6,130</u>
Total expenditures	<u>7,000</u>	<u>\$ 11,130</u>	<u>\$ 4,130</u>
Receipts over (under) expenditures	8,500		
Unencumbered cash – Beginning	<u>11,130</u>		
Unencumbered cash – Ending	<u>\$ 19,630</u>		

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

PARENT EDUCATION PROGRAM FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
Cash receipts	\$ _____ -	\$ _____ -	\$ _____ -
Expenditures:			
Transfer to general fund	<u>9,250</u>	\$ <u>9,250</u>	\$ _____ -
Total expenditures	<u>9,250</u>	\$ <u>9,250</u>	\$ _____ -
Receipts over (under) expenditures	(9,250)		
Unencumbered cash – Beginning	<u>9,250</u>		
Unencumbered cash – Ending	\$ _____ -		

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

SPECIAL EDUCATION FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
Cash receipts:			
Transfers from general fund	\$1,138,767	\$1,155,083	\$ (16,316)
Transfers from supplemental general fund	<u>428,455</u>	<u>480,000</u>	<u>(51,545)</u>
Total cash receipts	<u>1,567,222</u>	<u>\$1,635,083</u>	<u>\$ (67,861)</u>
Expenditures:			
Instruction:			
Salaries	8,734	\$ 8,000	\$ (734)
Employee benefits	707	1,187	480
Co-op/Interlocal tuition	1,367,868	1,418,963	51,095
Supplies	1,005	500	(505)
Property (equipment and furnishings)		5,000	5,000
Vehicle operating services:			
Purchased property services	9,453	9,662	209
Other purchased services	153,753	175,988	22,235
Motor fuel	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total expenditures	<u>1,553,520</u>	<u>\$1,631,300</u>	<u>\$ 77,780</u>
Receipts over (under) expenditures	13,702		
Unencumbered cash – Beginning	<u>413,925</u>		
Unencumbered cash – Ending	<u>\$ 427,627</u>		

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

VOCATIONAL EDUCATION FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
Cash receipts:			
Transfers from general fund	\$ 375,000	\$ 350,000	\$ 25,000
Intergovernmental:			
Federal aid	<u>194</u>	<u> </u>	<u>194</u>
Total cash receipts	<u>375,194</u>	<u>\$ 350,000</u>	<u>\$ 25,194</u>
Expenditures:			
Instruction:			
Salaries	236,600	\$ 230,000	\$ (6,600)
Employee benefits	56,223	69,000	12,777
Purchased professional and technical services	320	150	(170)
Other purchased services		850	850
Supplies	16,377	20,000	3,623
Property (equipment and furnishings)	<u>24,100</u>	<u>20,000</u>	<u>(4,100)</u>
Total expenditures	<u>333,620</u>	<u>\$ 340,000</u>	<u>\$ 6,380</u>
Receipts over (under) expenditures	41,574		
Unencumbered cash – Beginning	<u>14,378</u>		
Unencumbered cash – Ending	<u>\$ 55,952</u>		

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	Actual	Budget	Variance - Favorable (Unfavorable)
Cash receipts:			
Intergovernmental:			
State aid	\$ 654,183	\$ 705,210	\$ (51,027)
Total cash receipts	<u>654,183</u>	<u>\$ 705,210</u>	<u>\$ (51,027)</u>
Expenditures:			
Instruction:			
Employee benefits	397,881	\$ 480,110	\$ 82,229
Student support services:			
Employee benefits	35,740	25,100	(10,640)
Instructional support staff:			
Employee benefits	43,452	35,000	(8,452)
General administration:			
Employee benefits	38,081	35,000	(3,081)
School administration:			
Employee benefits	53,986	45,000	(8,986)
Operations and maintenance:			
Employee benefits	54,675	50,000	(4,675)
Food service:			
Employee benefits	<u>30,368</u>	<u>35,000</u>	<u>4,632</u>
Total expenditures	<u>654,183</u>	<u>\$ 705,210</u>	<u>\$ 51,027</u>
Receipts over (under) expenditures	-		
Unencumbered cash – Beginning	_____		
Unencumbered cash – Ending	\$ _____		

See independent auditor's report on the financial statements

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

BOND AND INTEREST FUND

Schedule of Cash Receipts and ExpendituresActual and BudgetFor the Year Ended June 30, 2012

	Actual	Budget	Variance - Favorable (Unfavorable)
Cash receipts:			
Taxes:			
Ad valorem property tax	\$ 515,788	\$ 507,026	\$ 8,762
Delinquent tax	8,589	8,108	481
Motor vehicle tax	48,145	34,207	13,938
Recreational vehicle tax	951	589	362
Big truck tax	4,019		4,019
In lieu of taxes	307		307
Intergovernmental:			
State aid	76,288	76,288	
Miscellaneous receipts	<u>926,931</u>	<u>926,931</u>	
Total cash receipts	<u>1,581,018</u>	<u>\$1,553,149</u>	<u>\$ 27,869</u>
Expenditures:			
Debt service:			
Principal	435,000	\$ 435,000	\$ -
Interest	<u>1,081,317</u>	<u>1,081,317</u>	
Total expenditures	<u>1,516,317</u>	<u>\$1,516,317</u>	<u>\$ -</u>
Receipts over (under) expenditures	64,701		
Unencumbered cash – Beginning	<u>609,233</u>		
Unencumbered cash – Ending	<u>\$ 673,934</u>		

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

BOND CONSTRUCTION FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended June 30, 2012

Cash receipts:	
Interest	\$ <u>7,634</u>
Total cash receipts	<u>7,634</u>
Expenditures:	
Facilities acquisition and construction services:	
Architecture and engineering	324,518
New building acquisition and construction	<u>10,616,288</u>
Total expenditures	<u>10,940,806</u>
Receipts over (under) expenditures	(10,933,172)
Unencumbered cash – Beginning	<u>13,522,649</u>
Unencumbered cash – Ending	\$ <u>2,589,477</u>

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

GRANT FUNDS

Schedule of Cash Receipts and Expenditures
For the Year Ended June 30, 2012

	Title I	Title II (Teacher Quality)	Title IV (Drug Free)	Character Education	Safe & Supportive Schools	Other Programs
Cash receipts:						
Federal aid	\$249,014	\$ 52,289	\$ -	\$ 4,000	\$ 9,000	\$ -
Miscellaneous receipts						8,026
Total cash receipts	<u>249,014</u>	<u>52,289</u>	<u>-</u>	<u>4,000</u>	<u>9,000</u>	<u>8,026</u>
Expenditures:						
Instruction:						
Salaries	243,934	14,465				
Employee benefits	12,903	136				
Purchased professional and technical services		2,532				
Other purchased services	3,866	36,559		300		
Supplies	4,094	862	1,195	1,404	3,095	5,755
Property (equipment and furnishings)				1,235	5,983	
Other	<u>18,461</u>					<u>2,536</u>
Total expenditures	<u>283,258</u>	<u>54,554</u>	<u>1,195</u>	<u>2,939</u>	<u>9,078</u>	<u>8,291</u>
Receipts over (under) expenditures	(34,244)	(2,265)	(1,195)	1,061	(78)	(265)
Unencumbered cash – Beginning	<u>34,244</u>	<u>2,265</u>	<u>1,195</u>			<u>98,338</u>
Unencumbered cash – Ending	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,061</u>	\$ <u>(78)</u>	\$ <u>98,073</u>

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

OTHER NONBUDGETED FUNDS

Schedule of Cash Receipts and Expenditures
For the Year Ended June 30, 2012

	Contingency Reserve	Community College	Reading Recovery	Textbook & Student Revolving
Cash receipts:				
Miscellaneous	\$ -	\$ 14,981	\$ 18,250	\$ 44,942
Transfers from supplemental general fund				50,000
Total cash receipts	<u>-</u>	<u>14,981</u>	<u>18,250</u>	<u>94,942</u>
Expenditures:				
Instruction:				
Salaries		5,310		
Employee benefits		390		
Purchased professional and technical services			2,760	
Other purchased services			653	
Supplies			2,432	34,353
Instructional support staff:				
Supplies				1,948
Total expenditures	<u>-</u>	<u>5,700</u>	<u>5,845</u>	<u>36,301</u>
Receipts over (under) expenditures	-	9,281	12,405	58,641
Unencumbered cash – Beginning	<u>470,696</u>	<u>27,433</u>	<u>75,161</u>	<u>56,066</u>
Unencumbered cash – Ending	<u>\$ 470,696</u>	<u>\$ 36,714</u>	<u>\$ 87,566</u>	<u>\$ 114,707</u>

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

STUDENT ACTIVITY FUNDS

Schedule of Cash Receipts and Expenditures
For the Year Ended June 30, 2012

Fund	Beginning Cash Balance	Receipts	Expenditures	Ending Cash Balance
Anderson County Junior/Senior High School:				
Student organization accounts:				
AP Government class	\$ 709	\$ 35,277	\$ 35,721	\$ 265
Art club	234	469	220	483
Band club	3,201	11,565	8,451	6,315
Cheerleaders	1,584	19,169	18,529	2,224
Chess club	239	459	225	473
Choir	1,917	1,745	1,866	1,796
Class of 2015	20	615	10	625
Class of 2014	585	626	10	1,201
Class of 2013	1,501	12,195	12,022	1,674
Class of 2012	2,556	1,239	3,767	28
Class of 2011	194		194	
Dance	3,183	14,830	11,842	6,171
Drama	3,871	30,800	31,629	3,042
FCCLA	1,135	5,092	3,957	2,270
FBLA	1,991	3,022	3,305	1,708
FFA	987	18,121	19,082	26
Forensics	821	1,600	1,144	1,277
A-VAC	57	4,943		5,000
In-house training	4,455	155	1,500	3,110
Internationals	1,043	1,336	1,839	540
Journalism/Newspaper	817	952	1,323	446
Junior High cheerleaders	744	3,885	3,592	1,037
Junior High KAY		136	136	
Junior High KAY – Pencil account	229	232	232	229
Junior High science	354	338	226	466
Junior High student council	1,202	4,415	4,616	1,001
Junior High yearbook	1,928	880	90	2,718
KAY	44	517	308	253
National Honor Society	1,079	1,140	911	1,308
OWLS	100		100	
Red Black	3,827	2,113	4,148	1,792
SAFE		1,035		1,035
Science club	1,012	2,828	2,933	907
Staff club	17	102	119	
Strength and conditioning	3,029	4,650	4,163	3,516
Student advocacy	140	5		145
Students in need	272		96	176
Student council	2,912	31,110	29,395	4,627
TSA	1,680	4,500	4,980	1,200
Yearbook	6,910	13,570	10,917	9,563
Total	<u>56,579</u>	<u>235,666</u>	<u>223,598</u>	<u>68,647</u>
Other:				
Sales tax	576	1,692	2,254	14
Total	<u>576</u>	<u>1,692</u>	<u>2,254</u>	<u>14</u>
Total Anderson County Junior/Senior High School	\$ <u>57,155</u>	\$ <u>237,358</u>	\$ <u>225,852</u>	\$ <u>68,661</u>

See independent auditors' report on the financial statements

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

STUDENT ACTIVITY FUNDS (Continued)

Schedule of Cash Receipts and Expenditures
For the Year Ended June 30, 2012

Fund	Beginning Cash Balance	Receipts	Expenditures	Ending Cash Balance
Westphalia Elementary School:				
School organization accounts:				
Instrumentals	\$ 32	\$ 155	\$ 96	\$ 91
Pep club	1,570	3,203	2,618	2,155
Special projects	<u>1,403</u>	<u>6,141</u>	<u>7,056</u>	<u>488</u>
Total Westphalia Elementary School	\$ <u>3,005</u>	\$ <u>9,499</u>	\$ <u>9,770</u>	\$ <u>2,734</u>
Mont Ida Elementary School:				
Student organization accounts:				
Student fund	\$ <u>420</u>	\$ <u>1,268</u>	\$ <u>1,688</u>	\$ <u>-</u>
Total Mont Ida Elementary School	\$ <u>420</u>	\$ <u>1,268</u>	\$ <u>1,688</u>	\$ <u>-</u>
Greeley Elementary School:				
Student organization accounts:				
Wildcat Ringers	\$ 50	\$ -	\$ -	\$ 50
Teacher fund	139	118	233	24
Student activities	217	386	482	121
Student emergency fund	<u>227</u>	<u>-</u>	<u>-</u>	<u>227</u>
Total Greeley Elementary School	\$ <u>633</u>	\$ <u>504</u>	\$ <u>715</u>	\$ <u>422</u>
Irving Primary Center:				
Student organization accounts:				
Student funds	\$ 247	\$ 1,977	\$ 2,224	\$ -
Staff club	342	130	472	
Spelling Bee	98	145	243	
Student emergency fund	<u>239</u>	<u>-</u>	<u>239</u>	
Total Irving Primary Center	\$ <u>926</u>	\$ <u>2,252</u>	\$ <u>3,178</u>	\$ <u>-</u>
Garnett Elementary School:				
Student organization accounts:				
Student funds	\$ 1	\$ 2,574	\$ 2,315	\$ 260
Student emergency fund	<u>196</u>	<u>-</u>	<u>-</u>	<u>196</u>
Total Garnett Elementary School	\$ <u>197</u>	\$ <u>2,574</u>	\$ <u>2,315</u>	\$ <u>456</u>
Total all schools	\$ <u>62,336</u>	\$ <u>253,455</u>	\$ <u>243,518</u>	\$ <u>72,273</u>

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

DISTRICT ACTIVITY FUNDS

Schedule of Cash Receipts and Expenditures
Year Ended June 30, 2012

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Athletics:				
Anderson County Junior/Senior High School	\$ 6,126	\$ 46,530	\$ 49,355	\$ 3,301
Westphalia Elementary School	<u>302</u>	<u>2,388</u>	<u>1,940</u>	<u>750</u>
Total athletics	<u>6,428</u>	<u>48,918</u>	<u>51,295</u>	<u>4,051</u>
Other:				
Musical	1,930	1,902	1,885	1,947
Plays	<u>1,674</u>	<u>615</u>	<u>1,232</u>	<u>1,057</u>
Total other	<u>3,604</u>	<u>2,517</u>	<u>3,117</u>	<u>3,004</u>
Total all funds	\$ <u>10,032</u>	\$ <u>51,435</u>	\$ <u>54,412</u>	\$ <u>7,055</u>



MIZE & HOUSER
COMPANY P.A.

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

Board of Education
Unified School District No. 365, Garnett, Kansas

We have audited the financial statements of Unified School District No. 365, Garnett, Kansas (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

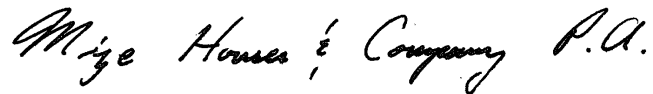
Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

We noted certain matters that we reported to the Board of Education in a separate letter dated October 23, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mize Houser & Company P.A." in a cursive script.

Certified Public Accountants

October 23, 2012
Topeka, Kansas

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Schedule of Findings and Responses

June 30, 2012

Finding #11-1: The American Institute of Certified Public Accountants auditing standard, Statement on Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit, emphasizes that a system of internal control over financial reporting does not stop at the general ledger. It includes controls over preparation of financial statements, including footnote disclosures. Under the Standard, a control deficiency exists when an entity does not have controls in place over preparation of the financial statements which would prevent or detect a misstatement in the financial statements. As part of the audit of the District, we draft the financial statements and related footnotes. However, according to the Standard, we cannot be considered a part of the internal controls over financial reporting. Accordingly, under this guidance, we believe that a significant control deficiency exists since we prepare the audited financial statements and related footnote disclosures.

**Management
Response:**

Management has considered the effect of Finding #11-1 and has determined that the cost of implementing controls over financial reporting in accordance with Statement on Auditing Standards No. 115 exceeds the benefits.



MIZE & HOUSER
COMPANY_{PA.}

Independent Auditors' Report on Compliance With Requirements That Could Have a
Direct and Material Effect on Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

Board of Education
Unified School District No. 365, Garnett, Kansas

Compliance

We have audited the compliance of Unified School District No. 365, Garnett, Kansas (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

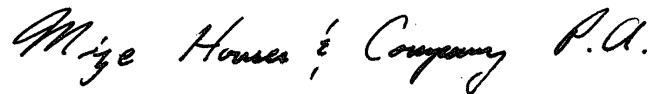
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mize Houser & Company P.A." in a cursive script.

Certified Public Accountants

October 23, 2012
Topeka, Kansas

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Schedule of Expenditures of Federal Awards
June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Cash at July 1, 2011	Receipts	Disbursements/ Expenditures	Cash at June 30, 2012
U.S. Department of Agriculture:					
Pass through Kansas State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$ -	\$ 77,927	\$ 77,927	\$ -
National School Lunch Program	10.555		252,225	252,225	
Team Nutrition Grants	10.574		650	650	
Fresh Fruits and Veggies Program	10.582		5,028	5,028	
U.S. Department of Education:					
Pass through Kansas State Department of Education:					
Title I Grants to Local Educational Agencies	84.010	34,244	249,014	283,258	
Safe and Drug-Free Schools and Communities – National Programs	84.184		9,000	9,078	(78)
Safe and Drug-Free Schools and Communities – State Grants	84.186	1,195		1,195	
Fund for the Improvement of Education	84.215		4,194	3,133	1,061
Title II Improving Teacher Quality	84.367	2,265	52,289	54,554	
ARRA-Education Jobs Fund	84.410		<u>3,464</u>	<u>3,464</u>	
Total		\$ <u>37,704</u>	\$ <u>653,791</u>	\$ <u>690,512</u>	\$ <u>983</u>

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

1. General

The accompanying schedule of expenditures of federal awards includes the activity of all federal financial assistance programs of Unified School District No. 365, Garnett, Kansas (the District). All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies, is included on the schedule.

2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the statutory basis of accounting which is described in the summary of significant accounting policies with the District's basic financial statements.

3. Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported as intergovernmental revenue in the District's basic financial statements as follows:

General	\$ 3,464
Food service	335,830
Vocational education	194
Federal and state grants:	
Title I	249,014
Title II (Teacher Quality)	52,289
Character Education	4,000
Safe and Supportive Schools	<u>9,000</u>
Total federal financial assistance revenues	\$ <u>653,791</u>

UNIFIED SCHOOL DISTRICT NO. 365, GARNETT, KANSAS

Schedule of Findings and Questioned Costs

June 30, 2012

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements in accordance with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas and a qualified opinion in conformity with accounting principles generally accepted in the United States of America of Unified School District No. 365, Garnett, Kansas (the District) as of June 30, 2012.
2. No material weaknesses in internal control over financial reporting were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*.
4. No material weaknesses relating to the audit of federal award programs tested as major programs are reported in our report.
5. The report on compliance for the federal award programs tested as major programs for the District expresses an unqualified opinion on such federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:
 - Child Nutrition Cluster:
 - School Breakfast Program, CFDA No. 10.553
 - National School Lunch Program, CFDA No. 10.555
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The District was determined to be a low-risk auditee.

Findings – Financial Statement Audit

See Page 35

Findings and Questioned Costs – Major Federal Award Programs

Current Year Findings

None

Prior Year Findings

None